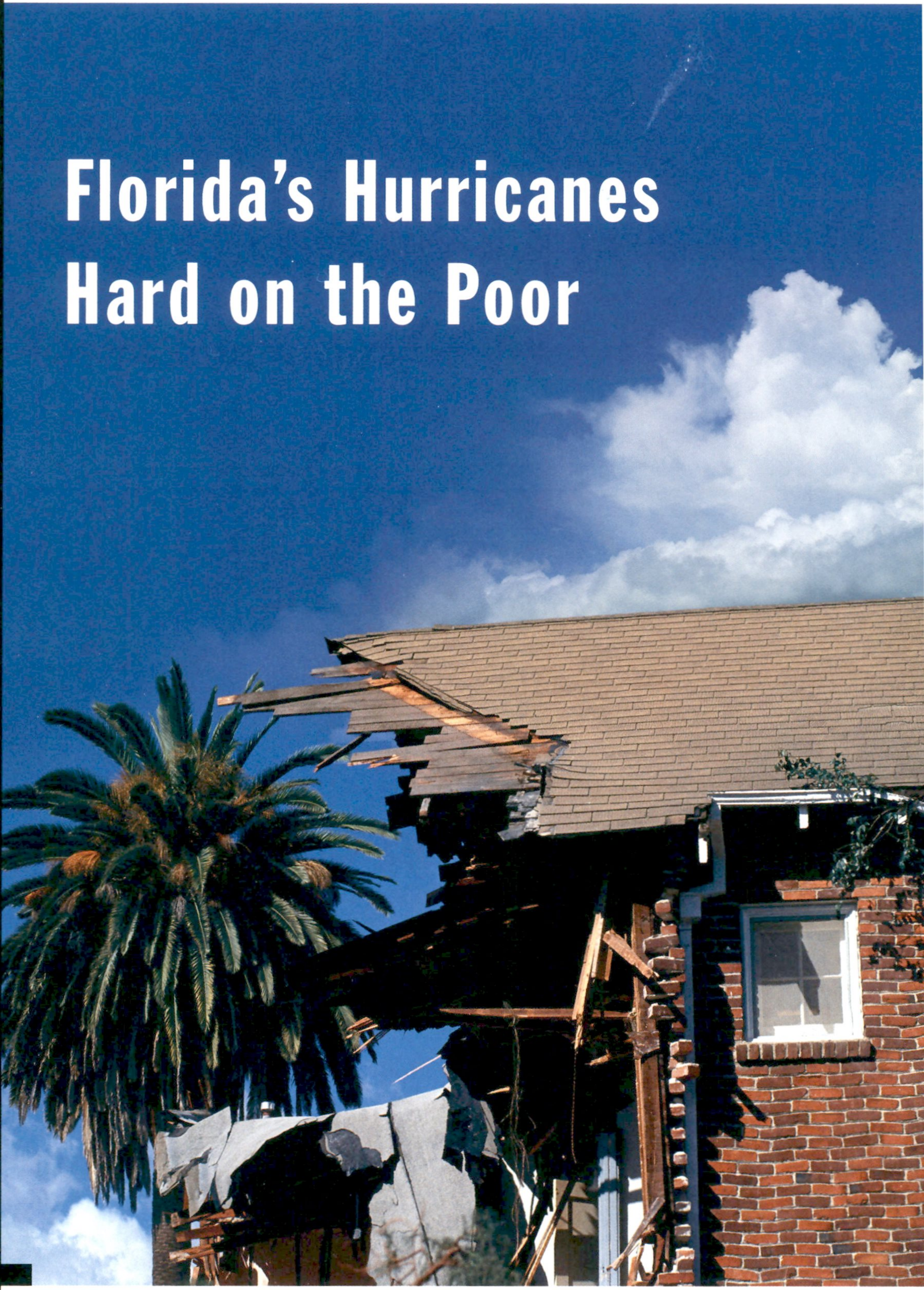
FEDERAL RESERVE BANK OF ATLANTA

VOLUME 14, NUMBER 3, 2004

partners

in community and economic development



Florida's Hurricanes Hard on the Poor

Help for Small Business in the Wake of the Storm

Live, Work, Play: an Urban Innovation

Changing Demographics Drive Diverse Housing Choices

Identifying Regulatory Barriers to Affordable Housing

partners

in community and economic development

Go Direct, Go Farther

Since the 1970s, pundits have predicted a checkless society—one that would allow for flows of funds in a more timely, seamless fashion. Over the last 30 years, credit and debit card use has soared along with the proliferation of automated teller machines. Public acceptance of electronic transactions has made direct deposit of paychecks commonplace. Personal computers with internet access have become fixtures in many American homes now, fueling online banking and e-commerce.

But even as the number of electronic transactions has increased, the volume of checks has continued to grow as well. Given that today's technology allows for the elimination of the old fashioned paper check, why hasn't it happened?

Perhaps it's more accurate to say, "It hasn't happened yet." The tide is finally beginning to turn. In 2003, for the first time, national check volume began to decline, and analysts predict a downward trend is now emerging.

Converts to electronic banking are sold on the speed, convenience, and safety of receiving or paying money electronically. No postage stamps are needed, and the cost of buying checks is eliminated. So why do some people still stick with paper?

Many consumers, it seems, still want to put their hands on a piece of paper, despite the chance of mail delay, risk of theft, the inconvenience of going to the bank, and delayed access to their funds. Research shows that some individuals, especially senior citizens, have emotional attachments to paper checks or else don't trust or understand how direct deposit works.

In the 1990s, use of direct deposit by federal beneficiaries grew steadily. However, it has since leveled off. Nearly a third of federal beneficiaries currently receiving checks indicated they were somewhat inclined to switch to direct deposit, while over half were resistant.

The Social Security Administration delivers over 13 million benefit checks by mail each month at a reported cost to the U.S. Department of the Treasury of 61 cents per check including postage and handling. This puts the annual cost of issuing paper checks over direct deposit transfers at approximately $100 million.

Considering the clear advantages of direct deposit, one might suppose that federal beneficiaries resistant to direct deposit do not have personal bank accounts. However, only about 33 percent of those receiving physical checks, around 4.5 million, lack bank accounts.

The Federal Reserve understands the advantages of direct deposit and its importance in our economy, especially in promoting an efficient and effective payments system. In response, the Fed has implemented the new Check 21 legislation, which provides for an electronic "substitute check" to facilitate payment. To promote direct deposit, the Fed is lending its support to the Treasury in its "Go Direct" campaign.

"Go Direct" seeks to educate those currently receiving paper checks about the advantages of direct deposit. The benefit to the consumer is unmistakable. And savings to the Treasury are significant. We have identified ten markets in which to pilot this educational outreach program and will seek collaboration with banks and community-based organizations to ensure a successful campaign.

With "Go Direct," everybody wins, and everyone's dollar goes farther.

Juan

Juan C. Sanchez
Community Affairs Officer

Florida's Hurricanes Hard on the Poor

HAMMERED BY FOUR HURRICANES LAST SUMMER, FLORIDIANS ARE NOW FACING A VARIETY OF ECONOMIC CHALLENGES. NOT SINCE 1964 HAS THE STATE BEEN HIT BY MULTIPLE STORMS OVER A SHORT PERIOD. CHARLEY, FRANCES, IVAN, AND JEANNE KILLED DOZENS OF PEOPLE AND CAUSED BILLIONS OF DOLLARS IN DAMAGES, CREATING THE WORST HURRICANE LOSSES SINCE 1992.

Although economists expect the state as a whole to recover quickly, Florida's low- and moderate-income residents will feel the economic impact of the storms more than most.

Looking at the big picture of Florida's economy in the wake of the hurricanes, it appears that despite severe damage in a few areas, large-scale economic disruptions will probably be short-lived. Higher insurance deductibles and inadequate flood coverage may have a negative impact on consumer spending in the short-term, but reconstruction outlays will likely make up for any temporary slowdown. Damage to agricultural areas, on the other hand, may take longer to mend. However, often lost in the big picture are the economically vulnerable, who are especially subject to economic disruption caused by natural disasters.

The big picture

According to the Insurance Information Institute (I.I.I.) about one out of every five Florida homes suffered hurricane damage as of October 2004. The insurance industry expects to pay even more than the $15 billion in claims that resulted from Hurricane Andrew in 1992. The I.I.I. anticipates that the total number of claims will exceed one million, surpassing the 700,000 filed for Hurricane Andrew and setting a new record for the number of claims in a short span of time.

Although the total impact from the hurricanes on Florida's economy is still uncertain, the state's economy will probably recover quickly. Florida's strong employment and demographic trends should persist despite storm damage. In fact, during the near term, employment may well increase as workers are added in emergency services, cleanup, and construction.

The net impact of the disasters on consumer spending may also be small. Increased spending for pre-storm stockpiling of emergency goods and repair purchases after the hurricanes may turn out to be more significant than the loss of sales during the storms and their aftermath. The hurricanes' effects may prove more significant with regard to the pattern of spending than the amount.

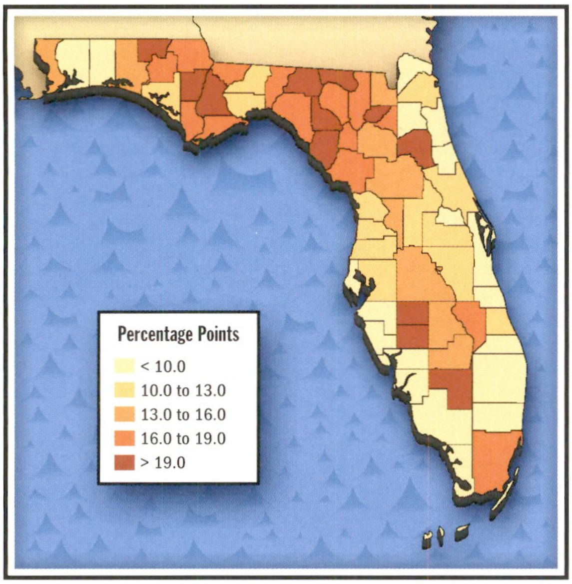
The capacity of Florida's economy to escape long-term damage will depend on how quickly the infrastructure is restored. Expeditious repairs will support the area's recovery, whereas delayed decisions to rebuild infrastructure or facilities could result in longer-lasting economic damage.

FLORIDA'S LOW- AND MODERATE-INCOME RESIDENTS WILL FEEL THE ECONOMIC IMPACT OF THE STORMS MORE THAN MOST.

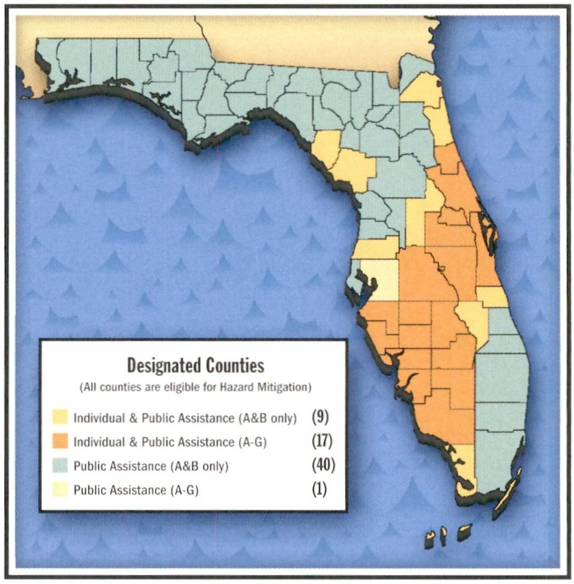
The impact on individuals

The arrival of Hurricane Frances right on the heels of Charley exacerbated the economic woes of individuals affected by the storm. While Florida's panhandle escaped serious problems before Ivan hit in mid-September, Ivan's damage was as severe in this area as Charley's was on the state's western coast. The final blow came from Jeanne, which came ashore almost exactly where Frances hit along the east coast. A significant number of homeowners are contending with multiple deductibles from

MAP 1: PERCENT IN POVERTY, 2000



MAP 2: HURRICANE CHARLEY



FEMA Public Assistance Work Categories

Category A - Debris Removal
Category B - Emergency Protective Measures
Category C - Road System Repairs
Category D - Water Control Facilities
Category E - Buildings and Equipment
Category F - Public Utility Systems
Category G - Other

Sources: FEMA and Small Area Income and Poverty Estimates, US Census Bureau

damage by separate storms. Most insurance contracts treat each storm as a separate event and thus require separate deductibles.

Insurance payments will probably cover less of the losses from the 2004 hurricanes than for Andrew in 1992. Much of the damage, particularly with Ivan and Frances, was due to coastal and interior flooding rather than wind damage. Over the past ten years, flood insurance has largely been separated from private homeowners' insurance and covered by federal programs. But many homeowners had not taken the extra step to obtain flood insurance.

In addition, changes in insurance rules since Andrew include the restructuring of deductible payments from a fixed dollar value to a percentage of the total claim, which raises the deductible share of large claims. Unfortunately, many homeowners in rural or less prosperous areas may not have cash on hand for repairs, adding further stress to consumer spending as they save to rebuild. It is this last point that deserves a closer look.

What about the less fortunate?

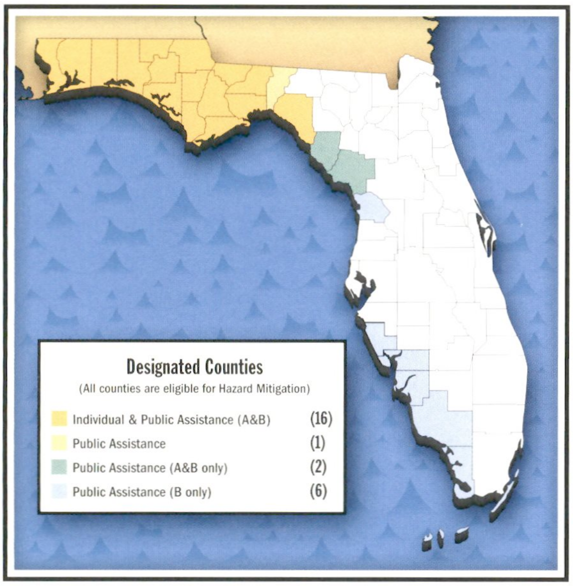
Estimated recovery periods will be significantly different for low- and moderate-income households. Those with adequate insurance and cash-on-hand will be back on their feet in short order, but for the less affluent, recovery may take much longer.

Last season's hurricanes had a major impact on some of the poorer regions of Florida. Recent data from the U.S. Census Bureau reveal that hard-hit Escambia County, which includes the city of Pensacola, replaced Miami-Dade in 2003 as Florida's poorest county. In fact, Escambia County is the 17th poorest county in the nation according to Census figures. Roughly 56,000 people—19 percent of the county's total population—were below the poverty line in 2003.

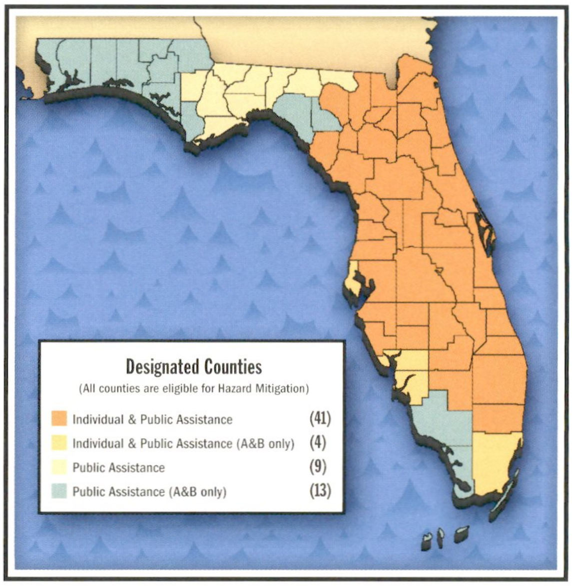
The decline in manufacturing employment, especially in the chemicals and paper industries, which typically pay higher wages than those paid for serving the county's large tourist and retirement communities, has played a role in lowering the cost of living and pushing up the level of poverty.

Although comparable data for all other Florida counties are not available for 2003, the latest complete data set available from the U.S. Census Bureau, from 2000, is shown on Map 1, which indicates the percent of people living in poverty by county. The three maps that follow show Florida counties declared as disaster areas because of the three hurricanes.

MAP 3: HURRICANE IVAN



MAP 4: HURRICANE FRANCES



In addition to those living in poverty, many Floridians exist just above the poverty line, and depend on fixed incomes or weekly paychecks from jobs in the hard-hit retail and tourism industry. Because the storms destroyed or severely damaged their places of work, a number of low-income wage earners may not be receiving paychecks for some time. Many small businesses will never re-open, and their employees will be forced to find work elsewhere.

Private and government relief efforts will help many, but not all. Thousands of undocumented immigrant laborers risk falling through the cracks of disaster recovery. Some of these workers may fear that they will face deportation if they seek aid, and many others may be unaware that help is available.

In addition, under state and federal guidelines, undocumented workers aren't eligible for most of the government aid offered to other victims of the disaster, such as loans and cash grants for emergency expenses and repairs to houses or mobile homes. A 2000 study for the federal government estimated that there were more than 111,000 such workers in the Florida counties now designated federal disaster areas.

Mobile homes hardest hit

The pressure less affluent people face in earning a living in the wake of the hurricanes is exacerbated by the fact that many have sustained severe damage to their homes. Many live in mobile homes, and these were more severely damaged than traditional structures.

According to 2000 U.S. Census data, there are nearly 850,000 mobile homes in Florida, accounting for about 12 percent of the state's single-family housing stock. The Florida Manufactured Housing Association reports that this number may be low, noting that 19 percent is probably more accurate. They also indicated that manufactured homes have accounted for more than one-third of all new single-family home sales in Florida for the past several years.

The suffering and loss experienced by all the affected people of Florida cannot be assessed solely by dollar-figure estimates of damage. The lives lost and disrupted by this season's hurricanes will be felt for a long time, and the less affluent, many of whom have lost their homes and jobs, will face the toughest road to recovery. ♦

This article was written by Mike Chriszt, director of international and regional analysis in the Atlanta Fed's Research Department.

Photo on p. 2 by Bob McMillan courtesy of FEMA.

Help for Small Business in the Wake of the Storm

SMALL BUSINESS RECOVERY AFTER A NATURAL DISASTER IS A SLOW AND DIFFICULT PROCESS. THIS PROVED PARTICULARLY TRUE IN FLORIDA AND OTHER AFFECTED AREAS OF THE SIXTH DISTRICT IN THE WAKE OF THIS SUMMER'S DESTRUCTIVE HURRICANE SEASON.

Fortunately, the lessons learned from previous natural disasters can be useful for small business owners as they access resources for rebuilding now and adopt loss-mitigation strategies for the future.

An immediate issue for a damaged business is loss of cash flow. Affected businesses may have to shut down operations for weeks or even months. The resulting loss of revenue makes it difficult for a small business to keep staff on the payroll. Even if a business is ready to open again following a disaster, loss of power and stranded suppliers may make it impossible to resume operation.

Furthermore, since most small business owners live and work in the same community, they may also have to deal with personal losses.

Hurricane Andrew provided many lessons to relief experts in 1992. First, assistance efforts need to start immediately, and it should be clear to the community that resources are sufficient to sustain the recovery. Furthermore, both business owners and residents need a constant stream of information and guidance about how to deal with their losses.

All of this activity directed toward recovery fosters a sense of hope in the community so they can focus on rebuilding rather than on all that was lost.

Planning ahead for the unexpected

Planning ahead improves the recovery process following a disaster. Emergency management teams work before, during, and after large disasters. Businesses need to adopt the same philosophy by forming an emergency plan that identifies resources to protect its assets from loss—even in a recovery.

Many businesses think that having insurance is all the preparation they need. However, it is far more likely for businesses to be under-insured and to lack coverage for certain types of damages. Taking some time, at least once a year, to make sure that critical assets are protected is important.

Although insurance will be the first line of defense in covering the physical damages to the business, there are other damages that will take weeks or months to settle in addition to those that fall outside the realm of insurance. For example, insurance cannot replace employees who move away to find housing. It also will not help with impassable roads, lost customers, or wealth erosion in the community.

Accessing public and private resources

When a business's insurance and its own savings are not enough for rebuilding, help must be sought from outside. Public and private resources are available to relieve devastated areas, but businesses must take the initiative to seek help.

Federal resources are most often mentioned in relation to relief efforts; however, these resources are the most overlooked and under-utilized. Many residents and small business owners either do not realize that they are eligible for relief or wait for it to come to them without making a request to an agency.

Government disaster relief resources for small businesses and employees

Federal assistance for communities dealing with disasters comes from the Federal Emergency Management Agency (FEMA). FEMA directs three general types of programs: individual assistance, public assistance, and hazard mitigation. These federal relief programs target uninsured and under-insured losses, both to individuals and to businesses. FEMA also helps local governments replace or repair public property, such as traffic lights, parks, or schools.

Federal assistance is offered through both loans and grants. Low interest, long-term loans are the most common form of support for businesses. These loans are available through the Small Business Administration (SBA), which acts as a direct lender. The SBA usually only offers guarantees on small business loans made by lenders using SBA guidelines, but it makes exceptions after a natural disaster to expedite relief efforts.

John Dunn, assistant director of development, says that the SBA extends more flexibility in its business-size eligibility and underwriting standards to provide disaster relief. However, certain standards will still apply. "Poor credit history or a past loan default with SBA may keep a business from accessing relief," Dunn points out. He stresses, however, that every business should contact FEMA to discuss its needs.

Some business owners decide to lay off employees if their business is not able to resume full operations. Individuals not eligible for existing unemployment compensation programs can apply to the Disaster Unemployment Assistance (DUA) program for help. DUA provides unemployment benefits and re-employment services to individuals who become unemployed due to disaster. It is especially helpful to persons who are self-employed, farmers, and migrant or seasonal workers.

FEMA and the SBA maintain disaster relief specialists around the country for immediate dispatch to an area affected by disaster. They set up disaster recovery centers and employ a large number of local workers who are trained to staff the centers. These centers become the point of contact for many of the services offered to individuals and businesses. Assistance can also be requested by phone or online, but the centers are most convenient during power outages.

Lessons learned from Hurricane Andrew

Hurricane Andrew underlined the importance of business resumption in protecting the demographic profile of a community. Keeping jobs and shoring up revenues help the community leverage disaster assistance for a complete recovery. "But working to simply *replace* is not always effective," says Maria Pellerin Barcus, executive director of Carrfour Supportive Housing Inc. She says that rebuilding is more complicated than that.

"People lost their house or their job, or both," she explains. "So they simply left the area." Rebuilding what was there before the damage, she points out, is not always the best way to recover. For some people and some businesses, moving away from the area is the best thing. "Many times the community will 'shrink' after a large scale disaster," she says.

Barcus notes that although relief funds often target the affected community, it will take the stricken area up to 12 months or more to rebuild housing and commercial space fully. Surrounding communities that were unaffected or less affected by the disaster will be able to offer immediate housing or work space for those displaced. "Funding that is allowed to be employed in these neighboring communities," she suggests, "really helps people recover."

The displacement caused by Andrew's damage resulted in unanticipated ripple effects in the area. Barcus says there was such an intense focus on replacing housing in the hardest hit section of the county, that comprehensive development planning was overlooked. As a result, a high concentration of affordable housing exists in the southern county, far from where jobs eventually resurfaced.

The role of nonprofits

Nonprofit organizations, especially business development funds, can play several roles in the recovery process and need to stay informed about recovery efforts. Nonprofits may be asked to redirect their services to help with the recovery. But each organization will need to decide whether this type of assistance matches its mission and capacity.

Nonprofits may also be more effective than federal agencies in informing community residents about the types of assistance available, as well as helping them complete the required applications. If disaster recovery programs do not meet the needs of a particular population, nonprofits can serve as effective advocates for special help from local government or service agencies.

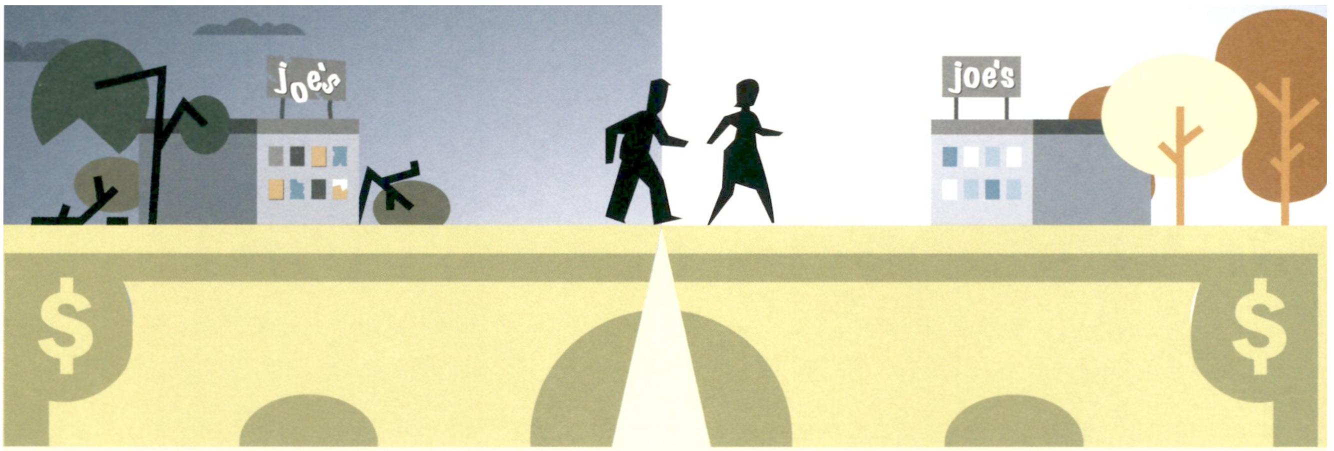
Recovery from disaster is not easy for anyone. It is a difficult time in a community even for residents and businesses that do not suffer damage. Getting back to normal requires being prepared, staying informed, and having lots of patience. The past hurricane season in Florida tested everyone, but things are now moving ahead. ♦

This article was written by Ana Cruz-Taura, regional community development director in the Atlanta Fed's Miami Branch.

Additional information on assistance for Florida hurricane victims is available at www.fema.gov and www.sba.gov.

Note: The U.S. Department of Homeland Security Citizen Corps, Federal Emergency Management Agency, USA Freedom Corps, and Operation HOPE, Inc. (OHI) have created a tool to help Americans minimize the financial impact of a natural disaster or national emergency. To download a free copy of the Emergency Financial First Aid Kit (EFFAK), please visit the website at http://www.hopecoalitionamerica.org/.

Photo on p. 7 by Michael Rieger courtesy of FEMA.
Photo on p. 8 by Andrea Booher courtesy of FEMA.



Florida Small Business Loans Bridge the Gap

Small businesses, always vulnerable to economic downturns, are especially affected by the disruption and physical damage caused by natural disasters. Florida has responded with a special loan program to help stricken entrepreneurs reopen their doors.

Florida Small Business Emergency Bridge loan program

First activated in the aftermath of Hurricane Andrew, the Florida Small Business Emergency Bridge (SBEB) loan program provides short-term emergency funds to businesses in need of immediate cash flow to begin repairs and replace inventory. The bridge loan program has since helped to minimize the economic impacts of the winter storm of 1993, the northwestern Florida floods of 1994, Hurricane Opal, and Hurricane George.

Short-term loans available through the program are intended to "bridge the gap" between a major catastrophe and the time required for a business to mobilize resources to cope with the damage. Eventually profits from revived businesses, receipt of payments on insurance claims, and secured long-term loans, including disaster loans from the U.S. Small Business Administration (SBA), will be available to business owners, but SBEB provides help right away.

The Florida SBEB program goes into effect whenever a state or federal disaster area is declared in any Florida county. Small businesses (those with less than one hundred employees) in the areas affected by the four hurricanes last season were eligible for short-term loans up to $25,000.

With maturities of 90 to 180 days, SBEB loans are interest-free. No payments are due during the term of the loan. Eligible businesses must have been operational for one full year prior to the hurricane and able to verify physical damage.

Counties authorized to participate in the program administer bridge loans in cooperation with the State of Florida, Enterprise Florida Inc., and local banks. Participating financial institutions originate and underwrite loan applications as a public service and do not charge fees to potential borrowers.

A five-member committee, including representatives from three local banks, one community representative, and one representative from Enterprise Florida Inc. or the Governor's Office of Tourism, Trade, and Economic Development, reviews the applications as quickly and efficiently as possible. The time from receipt of the application through the loan closing can be as little as 72 hours.

At the end of November 2004, 1,688 loans had been approved for a total loan value of $35.3 million. Applications were accepted up to 60 days after the natural disaster event.

"We know the last few weeks have been extremely difficult for those business owners impacted by Charley and now Frances," said Governor Bush. "Restoring our vibrant small business community is key to Florida's recuperation from the recent storms, and this 'Bridge Loan' program is an integral part of our recovery effort. By offering an immediate source of cash flow for businesses most in need, these short-term loans can serve as a bridge from being 'out of operation' to 'we're back in business'!" ♦

This article was written by Janet Hamer, regional community development manager in the Atlanta Fed's Jacksonville Branch.

Live, Work, Play: an Urban Innovation

TRUE TO ITS MOTTO "LIVE, WORK, PLAY," THE ATLANTIC STATION® REDEVELOPMENT INCLUDES AFFORDABLE HOUSING AND A HOST OF NEW JOBS IN ITS COMPREHENSIVE APPROACH TO COMMUNITY DEVELOPMENT. BUT THIS KIND OF DEVELOPMENT DOESN'T JUST HAPPEN ON ITS OWN. IT TAKES VISION AND COOPERATION AMONG MANY PARTNERS.

After years of planning, ATLANTIC STATION, LLC® is finally becoming a reality: a formerly contaminated steel mill site near downtown Atlanta is now being transformed into what some would refer to as a new "mini-city." Currently in various stages of completion, the former site of Atlantic Steel is becoming home to office towers, a major shopping and entertainment district, a hotel, and housing in an area that saw little hope a decade ago.

The steel years

Set on 138 acres, Atlantic Steel was founded in 1901 as Atlanta Hoop Company to make cotton bale ties and barrel hoops. In 1915 the company reorganized into Atlantic Steel Company with the expansion of its product lines. By the 1980s operations had declined significantly, and the site closed in 1997. That year, Jacoby Development Inc. and AIG Global Real Estate initiated a plan to transform the blighted steel property into a mixed-use, mixed-income development.

Opportunities for clean-up helped to offset the inherent disadvantages of brownfield conditions. The site's prime location, large size that allowed for scale, and the creation of a comprehensive master plan suggested significant redevelopment potential, and this made clean-up costs feasible.

Live

The initial plan calls for 1,600 homes consisting of apartments, condominiums, townhouses, and single family dwellings. Ultimately, the master plan calls for 10,000 residences including student housing. Currently nearing completion in the "Park District" are 231 apartments for mixed-income families.

According to Brian Leary, vice president of design and development of the ATLANTIC STATION® project, "We have long been committed to providing a full range of housing options at ATLANTIC STATION®. This includes a commitment that no less than 25 percent of the total number of housing units within the community will be targeted for families at 80 percent of area median income."

Leary adds, "We feel that it is important to provide housing options for each and every employee who works at ATLANTIC STATION®. This includes entry-level workers as well as the corporate executive overseeing thousands of employees. The diversity of the residential product offered on-site gives the residents of ATLANTIC STATION® the opportunity to get out of their cars and enhances their quality of life."

Work

The economic benefits of the ATLANTIC STATION® project will be significant. The project is expected to generate approximately 20,000 new jobs as part of the plan, which calls for over 1 million square feet of retail space and over 5 million square feet of office space. While some of these projected jobs will be transferred from other communities, opportunities for employment growth are still significant because the mixed-use characteristics of the development will create its own economic engine.

The retail component will include department stores and specialty shops, a grocery store, multiplex theater, restaurants, nightclubs, a hotel, and other such establishments. While these businesses typically emphasize service sector jobs, the entire job spectrum will be represented. Likewise, a wide variety of jobs will exist in the project's office space.

Play

Some people will approach the retail and entertainment components of the ATLANTIC STATION® redevelopment as "play" rather than "work." But either way, the development will provide new opportunities for recreation. In addition to retail venues, the community includes a pedestrian plaza and park for leisure activities.

Transportation planning will benefit both those who commute into the ATLANTIC STATION® development for work or leisure activities and residents who commute elsewhere. Public bus service provides an easy link to the local MARTA train line, and the new 17th Street bridge offers access via a pedestrian walkway and bicycle lane. The landmark yellow bridge connects the community to the Midtown Atlanta neighborhood on the other side of the I-75/I-85 "Downtown Connector."

Getting things off the ground

Calling for a total investment of over $2 billion, the ATLANTIC STATION® was clearly an ambitious endeavor to launch. A key element was the establishment of a tax allocation district (TAD). Environmental concerns and under-utilization of the site qualified it as a redevelopment area, thus making the site eligible for special taxation financing programs.

In Georgia, the Redevelopment Powers Act (Chapter 44, Title 36) allows for Tax Incremental Financing to provide public finance for redevelopment activities in underdeveloped or blighted areas. Revenues are derived from the increase in the redevelopment area's ad valorem and/or sales tax levied by the city, county and school system. These revenues are then placed in a special fund that finances redevelopment costs or services bonds issued to finance the project.

Economic impact

Prior to redevelopment, the 138 acres that are now the ATLANTIC STATION® contributed $300,000 a year in property taxes to the city's coffers. Once fully constructed, the ATLANTIC STATION® development will contribute $30 million a year in property taxes. Additionally, the numerous retailers on site will contribute $10 to $20 million a year in Special Interest Local Option Sales Tax, which helps fund local education and transportation initiatives. New jobs are expected to generate more than $619 million in salaries.

Funding

After acquiring the land in 1999 for $76 million, Jacoby Development Inc. spent $25 million for site clean-up. The development of office, hotel, retail, and residential spaces is being funded by the private sector. The TAD contributed up to $170 million to assist with both site clean-up and required infrastructural costs such as utilities and streets. Additionally, matching funds will free up some TAD funding to finance corridor improvements. The City of Atlanta has contracted the Atlanta Development Authority to serve as its designated "Redevelopment Agency."

Corridor improvements are being funded by Congestion Management and Air Quality (CMAC), federal transportation program STP 33 (C), and U.S. Department of Transportation TEA–21 to provide and/or improve sidewalks, streetscape, and traffic flow. If existing businesses move to the area, their relocation expenses may be provided under all applicable federal, state, and local guidelines if public funds are used to acquire property. While no historic properties are located within the ATLANTIC STATION® boundaries, some exist near the TAD. These properties, which are either listed in the National Register of Historic Places or are City of Atlanta Designated Properties, will be unaffected.

In the redevelopment plan, the Tax Allocation Bond issue will be between $100 and $250 million depending on the evaluation of the bond issuer, federal transportation program STP 33 (C). In accordance with redevelopment proposals, the bond term will be no greater than 25 years or the maximum term permitted by law, and the rate will be determined at the time of issue based on the conditions of the bond market, anticipated development within the redevelopment area, and assessed taxable property value.

Partnerships, partnerships, partnerships

The ATLANTIC STATION® community attributes its success to public-private partnerships. Partners ranged from developers, bankers, architects and engineers, accountants, planners, and environmental scientists to federal, state, and local government, grassroots organizations, a local university, and the local transit authority. The partnerships and strategic vision of the ATLANTIC STATION® demonstrate how redevelopment can have a positive effect on the region's environmental, social, and economic health while encouraging smart growth. ♦

Primary sources:
Atlantic Steel Redevelopment Plan
www.atlanticstation.com
U.S. Environmental Protection Agency

By Sibyl Howell, regional community development manager, and Wayne Smith, community affairs director at the Atlanta Fed.

From "Steel" to "Station"—a Model Development?

Transforming an old industrial facility into a vibrant mix of office, retail, and residential uses is the dream of many cities. Still, Atlanta's experience with Atlantic Steel may not be easy to reproduce. Even if it can be replicated—the Gates Rubber project in the center of Denver is comparable—a number of concerns warrant the attention of affected communities.

Many of the positive outcomes of this kind of development are more attainable if the size of the project is sufficient to generate revenue. Without revenues from retail, office, and market housing, it may be hard to build affordable housing. Similarly, scale can result in project efficiencies that are not available for small brownfields. Off-site impacts on neighborhoods are also greater in the case of large projects, so that benefits are spread to many people and properties.

None of these benefits, however, requires that a project exceed 100 acres as did Atlanta's venture. Depending on degrees of contamination and land values, sites less than one-fifth the size of the Atlantic Steel mill might also be reclaimed and designed to include affordable housing. In addition to being appropriate for smaller parcels of land, the Atlanta experience has viability for replication in smaller cities as well.

But we should not exaggerate the potential of ATLANTIC STATION® or the odds on reproducing it:

- The property market has to be "hot enough" to offer a high return on investment to attract redevelopers. Pittsburgh and other steel cities have similar properties, but none of those areas have grown like Atlanta, and none have a project like the ATLANTIC STATION® community.
- The employment created in developments like this is not all new jobs for the metro area. Some jobs will be moved from elsewhere. Some office space will be occupied by businesses that are relocating. And new retail activity may take place at the expense of business and jobs in other areas. A key to true success is whether the development promotes jobs and businesses that create new incomes, and this is always difficult to measure or predict.
- If this "displacement" of jobs does occur, then the same tradeoffs may occur for the local property values and taxes generated by the development. In other words, taxes may fall elsewhere and thus offset the new revenues. "Greyfields," such as abandoned shopping centers, are created by development that just moves retail activity from one location to another. Such activity creates new problems while solving old ones.
- The hotter the real estate market, the harder it will be to divert any of the property to community uses such as affordable housing, parks, or other public facilities. Yes, developers may have excess profits they can afford to give up, but the costs involved in addressing community uses may raise their resistance to such neighborhood demands. ATLANTIC STATION's® neighbors were highly involved and should benefit, but that is not always true in redevelopment.

On balance, mega-redevelopments such as the ATLANTIC STATION® community can make major contributions to their neighborhoods and potentially to whole metropolitan areas. But one can't assume that they always will. Community involvement from the beginning is essential to maximizing the public—not just private—returns from the redevelopment of large abandoned sites. That involvement is the key to smart growth on inner city lands. ♦

Peter B. Meyer
Professor of Urban Policy and Economics
Director, Center for Environmental Policy and Management
Director, US EPA Region 4 Environmental Finance Center
University of Louisville

Changing Demographics Drive Diverse Housing Choices

STATISTICS FROM THE 2000 CENSUS REVEAL A STRIKING DIVERGENCE FROM WHAT HAS BEEN CONSIDERED THE "TYPICAL" COMPOSITION OF THE AMERICAN HOUSEHOLD.

Two-parent families with 2.5 kids have been surpassed by nontraditional households that are increasingly without children and headed by single persons. The changing face of the typical consumer and household will require a paradigm shift in housing design and urban planning that acknowledges the demographic and cultural differences influencing housing choices.

One of the most significant demographic drivers of housing demand in the 1990s has been growth in the minority population. Other significant population shifts include the aging of the baby-boomer generation, shrinking household sizes, and geographic redistribution of the population between central cities and suburbs.

All of these factors interact to determine housing needs and preferences. However, it is age-driven changes in the nation's population and its household composition that will have the most impact on the future residential landscape.

Baby boomers swell ranks of aging population

Historically, the graph depicting the life span for American adults assumed a high mortality rate in early childhood that decreased over time and a relatively small number surviving to old age. However, recent advances in medicine and health care have increased adult life expectancies so that more Americans are living longer.

The baby-boomer generation and low overall fertility rates are contributing to an aging of the population. The wave of individuals born between 1946 and 1964 is fast approaching retirement age and accounts for a large portion of the growth among older, post-childrearing age groups. According to the most recent census projections, the age group from 45 to 64 will account for 25 percent of the U.S. population in 2020.

As the number of mid-life and older Americans increases, it would be unwise to assume that housing location and design developed largely with young families in mind will suit them.

Empty nesters face lifestyle changes

One consequence of longer life expectancies is that couples have more years together after their children have reached the age of 18. Many of these "empty nesters" don't need, and often don't want, large, isolated suburban homes. They are poised to take advantage of new opportunities in this stage of their lives, whether by renting homes or moving to higher-density, urban neighborhoods with smaller lots.

One of the emerging markets for multifamily housing is the "lifestyle renter." These individuals rent by choice because they want communities that fit their lifestyle and life stage. Aging baby boomers will probably drive some of this rental demand. Even though the homeownership rate for this group is very high, lifestyle preferences and changes in the tax laws that eliminate the capital gains penalty on sale of a primary residence have made renting a more attractive option for seniors.

The changing face of the typical consumer and household will require a paradigm shift in housing design and urban planning.

Aging in place

The senior population, many of whom own their homes, is expected to nearly double by 2030. According to Harvard's Joint Center for Housing Studies, nine out of ten seniors prefer to remain in their homes; this means that the housing choices made by aging boomers in the next decade will probably determine how and where they will live in the future.

Health and housing concerns for the elderly are often inextricably connected. As homeowners age and become frail, housing stock also ages and requires increased maintenance and upkeep. This is a particular burden for seniors on a fixed income faced with increasing medical needs. Efforts are underway to provide comprehensive approaches to coordinating health and housing services for the elderly that reflect this interrelationship.

Since most elderly live in conventional housing, demand will increase for housing modifications and supportive services that will allow them to age in place safely and comfortably. Age-restricted communities that also provide different levels of personal care offer an alternative for seniors who choose to move to new homes specifically designed for them.

Growth surge in nontraditional households

While the housing industry continues to build homes for young and middle-aged couples with children, a strong case can be made that new construction does not meet the needs of the majority of new and future households. The majority of the nation's households are either married without children or headed by single persons. Longer life expectancies and marital status trends have contributed to this transformation in what has been long-considered the "traditional household."

The aging of the population has had a significant impact on this demographic shift toward households headed by one person. The death of a spouse or divorce without remarriage both result in the same outcome. Also, most married couples with children will eventually become "empty nesters." Aging baby boomers are approaching this life stage, thereby contributing to the continued increase in one-person headed households in the next two decades.

Marital status trends such as delayed marriage, higher divorce rates, and lower remarriage rates also account for the increasing number of one-person headed households. A consequence of this trend has been a larger number of unmarried men and women, many of whom have chosen homeownership, in the housing market.

The continued growth of this household type will increase the demand for affordable housing, both in rental and for-sale markets. Housing costs are more likely to be a financial burden for these households, which may spend more than 50 percent of monthly income on housing. The cost burden is especially high among unmarried women, given the persistence of the male-female earnings gap. Unmarried women accounted for 30 percent of the growth in homeowners from 1994 to 2002.

Growth in minority population fuels housing demand

The nation's minority populations have expanded significantly in recent decades, with the Hispanic population increasing by more than 50 percent since 1990. This phenomenal growth has created a diverse population with a unique demographic profile and household composition. Most importantly, their housing preferences and patterns will be very different from those of non-Hispanic whites.

According to the 2004 State of the Nation's Housing report, 1.3 million net new households have formed each year on average since the start of the decade. Largely due to immigration during the 1990s, household growth should continue this pattern for the next 10 years.

Between 1998 and 2001, immigrant households purchased 8 percent of new homes and 11 percent of existing homes sold. The Harvard study also found that the foreign-born represented 12 percent of first-time homebuyers in 2001, boosting the demand for starter homes. Their impact was even more significant in the rental market, where they represented 17 percent of all renters in 2000.

Income disparities are also evident between minority workers and whites of similar age and education. As a result, increase in the number of minority and immigrant households will spur more demand for starter homes and affordable rental housing.

Immigrant households more youthful and "traditional"

A consequence of the nation's growing diversity is a shift in the population's age and household composition. Differences in household composition for minorities reflect the relative youthfulness of this population. Generally, populations with more young adults have more families with children, and more closely mirror the "traditional" household. The trend toward families among immigrant populations will somewhat offset the growth of non-traditional households, but the impact on housing needs is difficult to gauge.

Minority household configurations also differ in size and type. A 2001 study by the Brookings Institution, "The Implications of Changing U.S. Demographics for Housing Choice and Location in Cities," found that compared to majority households, minority households are more likely to include multiple generations and be headed by a single individual. Consequently, the overall trend of an aging population and households with no children more aptly describes non-Hispanic, white populations.

Minority and immigrant populations are not uniform. It is important for housing professionals to understand the unique preferences and needs of each racial and ethnic segment within their market to provide appropriate housing choices.

Shifts in housing preferences

The conventional "American Dream" home is a single-family, detached structure on a large lot in the suburbs. This preference may shift to reflect changing demographics, but the appeal of the suburbs persists. Despite a significant "back to downtown" movement in many central cities, the suburban ideal is still alive and well. Recent trends show that suburban locations remain the primary residential choice of all household types, and older households are less likely than younger ones to live in central cities.

The long-run problem for the housing industry is that the needs of traditional families, now in the minority of households, continue to dictate housing choices for the majority. New construction is often geared to the preferences of young couples with children—conventional, low-density suburban homes.

Studies have shown that density choices are driven by age and that consumer outlooks change after age 45. The lifestyle choices of baby boomers have the potential to change neighborhood patterns as they get older and as some opt to downsize to smaller more manageable homes in walkable, centrally located neighborhoods. The overall impact is hard to predict, however, since many boomers will age in place and therefore, not participate actively in the housing market.

New approaches to housing and communities

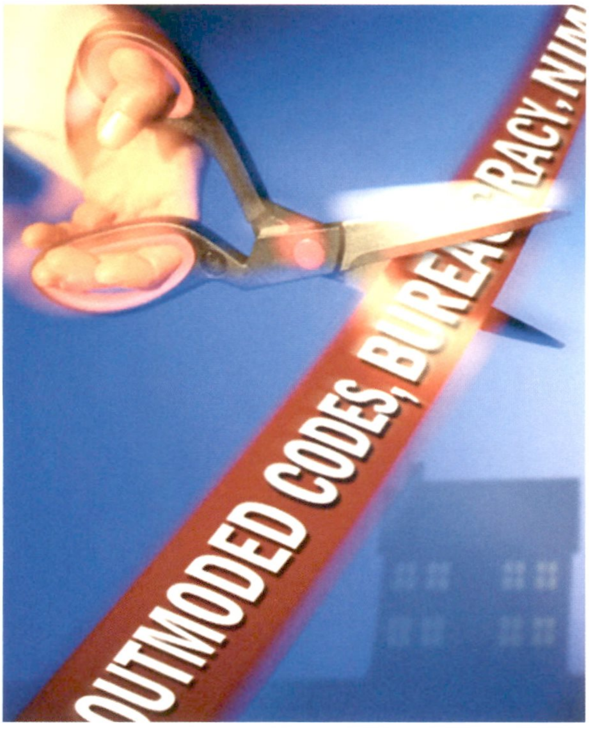
Not too many years ago housing professionals thought almost exclusively about the housing needs and preferences of families with children. America's demographic profile is changing and dictates that we examine several housing types. Ultimately, the housing industry will need to respond with additional products that address the age, income, and cultural differences of our diverse population. ♦

This article was written by Jennifer Grier, community affairs project manager at the Atlanta Fed.

Identifying Regulatory Barriers to Affordable Housing

HOUSING PRICES NATIONWIDE HAVE INCREASED DRAMATICALLY IN THE PAST 15 YEARS. A NUMBER OF FACTORS HAVE CONTRIBUTED TO THE RISING PRICES, INCLUDING FEDERAL, STATE, AND LOCAL REGULATIONS THAT AFFECT LAND AND HOUSING DEVELOPMENT.

While many regulations provide important public benefits, others are outdated, excessive, unnecessary, or exclusionary. Obstructive regulations have contributed to rising housing costs and created roadblocks to affordable housing in urban and suburban communities.



What are regulatory barriers?

In 1991, HUD appointed the Advisory Commission on Regulatory Barriers to Affordable Housing (Commission) to study the impact of state and local regulations on housing prices. The Commission found that regulatory restrictions raise development costs in some communities by as much as 35 percent. The Commission also found that regulations can be used to limit affordable housing options by prohibiting high-density housing, multi-family rental housing, accessory dwelling units, or manufactured housing.

Regulations that affect housing prices occur in several categories, as a component of building codes, environmental stipulations, land use and zoning, impact fees, and administrative processes. The point at which a regulation becomes a regulatory barrier is not always clear. Regulations that raise housing costs should, however, serve a greater public purpose. The policies that raise concern are those which disproportionately impact low- and moderate-income individuals by deliberately or indirectly prohibiting or discouraging affordable housing, with little compensating public benefit.

NIMBYism. Some regulatory barriers are used to support the "Not In My Back Yard" mentality, or NIMBYism, which underlies resistance to affordable housing, particularly in suburban communities. Residents fear that affordable housing in the neighborhood will lead to lower property values, increased congestion, and higher taxes to support increased public service demands by the residents of this housing.

To discourage affordable housing, communities employ exclusionary zoning tactics, including large minimum lot requirements or density limitations that restrict multi-family housing development. Alternative forms of affordable housing such as accessory dwelling units and manufactured housing are often prohibited by zoning codes.

Some communities impose high architectural standards or require developers to include attractive amenities that increase the costs and demand for housing in a community.

Outmoded building codes are another barrier to affordable housing. Building codes designed to regulate new construction create an expensive and unrealistic burden on developers interested in rehabilitating existing buildings.

Smart growth. "Smart Growth" principles, including growth boundaries and open space preservation, also create potential barriers to affordable housing.

THE NEED FOR REGULATORY REFORM HAS BEEN RECOGNIZED AT THE NATIONAL, STATE, AND LOCAL LEVELS.

These policies limit the supply of available land for development, which leads to increased land costs, and most likely, higher housing prices.

If smart growth principles such as revitalizing urban core neighborhoods and increasing housing density are implemented in conjunction with those that limit land supply, affordable housing opportunities could increase. However, approaches that limit growth are often more politically popular.

Impact fees. Many jurisdictions impose impact fees to cover the increased costs associated with new development. In theory, impact fees are supposed to shift the cost of new development to new residents so existing residents are not burdened by higher taxes to support the needs of new residents. However, fees can also be used to discourage affordable housing.

Administrative processes. Complex administrative processes can also become a barrier by significantly increasing housing costs. Developers are often required to work with several different agencies to obtain approval for development, and coordination with these agencies can lead to significant delays in the permitting process. Administrative inefficiency and delays in permitting often increase developer costs and lead to higher housing prices.

National response to regulatory reform

The need for regulatory reform has been recognized at the national, state, and local levels. HUD began exploring this issue in the early 1990s and it has recently become a top priority. In fact, the current administration has made addressing regulatory barriers one of the three components of the President's strategy to achieve his goal of increasing the nation's supply of affordable housing.

In 2003 HUD launched America's Affordable Communities Initiative (www.hud.gov/initiatives/affordable communities). This program helps communities identify and overcome regulatory barriers to affordable housing. In addition to dedicating funding for research on regulatory barriers, HUD works with community organizations to build local coalitions for developing innovative solutions to overcome regulatory obstacles.

HUD also encourages reform through its funding process and rewards grant applicants with extra points if their respective jurisdictions have undertaken efforts to alleviate regulatory barriers.

Finally, HUD has created the Regulatory Barriers Clearinghouse (www.regbarriers.org), which provides a national web-based forum to share information about regulatory roadblocks to affordable housing along with solutions for overcoming them.

"HUD is trying to lead by example," according to A. Bryant Applegate, senior counsel and director of the America's Affordable Communities Initiative. "We are working with government at all levels to reduce the barriers to affordable housing, so that hard-working families that might otherwise be priced out of a home can share in the American dream."

State and local government address regulatory barriers

State and local governments have the authority to regulate land use and therefore play an important role in reforming rules that unnecessarily increase the cost of housing. A number of states and local jurisdictions have initiated studies to determine how local regulations affect the cost of housing as well as implemented strategies to remove unnecessary obstacles.

For instance, Florida requires local jurisdictions to plan for affordable housing, and the state is also working with local jurisdictions to create expedited permit processing for affordable housing projects. Other communities have recognized that impact fees create a barrier to affordability and have agreed to waive or reduce these fees for affordable housing.

Some cities are trying to overcome the barriers created by restrictive land use policies and exclusionary zoning. For example, cities that have imposed growth caps are now reevaluating the impact of these restrictions on housing prices and are exempting affordable housing from the cap limits.

Density bonuses are another useful tool for surmounting zoning barriers that limit affordable housing. Cities offer density bonuses that allow developers to build more units than permitted by zoning ordinances, provided they include some affordable units. Some communities are addressing zoning barriers by modifying the codes to allow housing in areas zoned for industrial or commercial use with the goal of promoting more mixed-use housing. They are also allowing accessory dwelling units in neighborhoods not currently zoned for this use.

There are many other options available for state and local governments to confront barriers, including building code revisions that adopt national or regional "model" codes to encourage rehabilitation of existing buildings. Implementing streamlined permit processes also reduce costly delays.

While increasing concern exists about the rising cost of housing, along with recognition that regulations can increase prices, regulatory barriers persist in the majority of jurisdictions. This is often because local government and residents prefer not to have new development, particularly affordable housing, that will disturb the status quo.

Local municipalities also have fiscal incentives not to reform regulations insofar as they seek to avoid the tax increases potentially necessary to provide services for new development. Finally, there is a lack of regional planning in many communities, so cities do not usually have to consider the impact of individual regulations on the cumulative housing needs of the region.

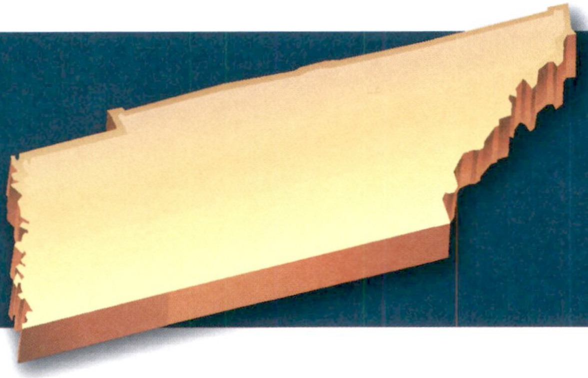
Creating awareness is first step toward solution

Removing the regulatory barriers to affordable housing is not an easy process. The first step towards any solution is an understanding of the problem, and HUD's initiative to create public awareness about the issue is very important. Ultimately, overcoming these obstacles depends upon recognition of the importance of affordable housing to the economic vitality and quality of life in communities.

Demand for regulatory change has traditionally come from builders and developers, and affordable housing advocates have not been engaged in this discussion. Builders, developers, and housing advocates must join together with local businesses, real estate professionals, and banks to establish broad coalitions. Working together, this coalition can make a stronger case for affordable housing and have greater leverage to encourage states and local jurisdictions to adopt regulatory changes that will increase housing opportunities. ♦

This article was written by Jessica LeVeen Farr, regional community development manager in the Atlanta Fed's Nashville Branch.

Spotlight on the District



TENNESSEE

CONEXIÓN AMÉRICAS PAVES THE WAY TO HOMEOWNERSHIP FOR NASHVILLE HISPANICS

Conexión Américas was formed in 2002 by three Hispanic leaders to assist the growing Hispanic community in Nashville. According to the 2000 Census, Tennessee has one of the fastest-growing Hispanic populations in the nation, and a majority are undocumented. In just two years, Conexión Américas has become a leading force in helping Hispanic families with their social, economic, and civic integration into the Middle Tennessee community. Making homeownership possible is part of Conexión's mission.

Launched in 2004, "Puertos Abiertas" or Open Doors Homeownership Program is one of Conexión Américas' most exciting and successful programs. Homeownership is an important step towards full integration into the community, and providing Hispanic families with the opportunity to purchase a home is a primary focus of the organization. But it is also one of the biggest challenges.

Through this program, Conexión offers homebuyer education classes and generates a large pool of potential homebuyers. The organization has also created pilot programs with two local banks to provide first mortgages to undocumented immigrants. It works closely with the banks to overcome their concerns about risk and to ease barriers to serving undocumented immigrants, including the lack of proper documentation and insufficient credit histories.

With financial support from the Nashville Housing Fund, a private foundation, and a local financial institution, Conexión Américas has established a $1.5 million loan pool for Puertos Abiertas. The loan fund will provide first mortgages and, through the Nashville Housing Fund, access to down payment assistance as well.

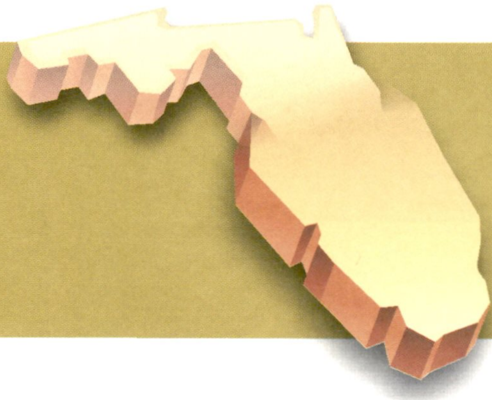
To date, 22 families have purchased their first homes through Puertas Abiertas. By year end, the group anticipates that a total of 45 to 50 families will be new homeowners. All of the mortgages closed thus far have been provided through the bank partners. The banks offer terms and rates comparable to other first-time or affordable mortgage products, but they use the individual taxpayer identification number in place of the social security number and accept nontraditional credit histories.

Although the program is still developing, it has already achieved one very important goal—it has demonstrated to banks that a market for mortgages exists in the Hispanic community and has shown how to tap into it. Nationwide, only a handful of financial institutions offer mortgages to undocumented immigrants. What Conexión Américas has accomplished with their partners is not only important for Hispanics in Tennessee but for Hispanics across the country as well. ♦

By Jessica LeVeen Farr, regional community development manager in the Atlanta Fed's Nashville Branch.

The Sixth District region includes middle and eastern Tennesssee.

SOUTH FLORIDA



LISC EXPANDS REACH OF SOUTH FLORIDA REVITALIZATION EFFORTS

Regional strategies for sustainable and equitable development are emerging as a new paradigm in community development. Local Initiatives Support Corporation (LISC) has adopted this model in South Florida by forming a regional office to help nonprofit, neighborhood-based organizations revitalize communities in Miami-Dade and Palm Beach counties, and eventually Broward.

"We think a regional strategy is the way to go," said Annetta Jenkins, LISC's senior program director, who will head the new office. "Fewer and fewer are defining themselves by county lines, and it doesn't make sense for LISC to continue to do so either."

Since opening an office in Miami two decades ago and another in West Palm Beach in 1991, LISC has provided loans, grants, and technical assistance to help CDCs develop more than 5,000 affordable houses and apartments and nearly 225,000 square feet of commercial and community facilities—usually in struggling neighborhoods where conventional investors were reluctant to do business.

To implement a regional strategy, South Florida LISC will merge the Greater Miami and Palm Beach County offices, though LISC staffers will remain in both places and continue current revitalization projects in each location. The new structure is anticipated to reduce overall operating costs and increase efficiency, while implementing policies and programs that reach beyond traditional jurisdictional lines.

The merger should also improve the distribution of LISC grants, loans, and technical assistance to CDCs throughout South Florida. In addition, the South Florida LISC office will launch a centralized approach to revitalization efforts in Broward County, an area that had previously been beyond the reach of the Greater Miami and West Palm offices.

"A regional LISC program will provide the opportunity to build and expand upon our already established relationships with CDCs, elected officials, funders, and residents," said Kathy Hoffman, senior vice president of Fleet Private Clients Group. Former chair of Palm Beach County LISC local advisory board, Hoffman will be co-chairing the South Florida LISC regional advisory board with Barbara Romani, vice president of Citibank, Florida.

"Under this new structure, it will be much easier to share innovations," added Romani, who previously chaired the Greater Miami LISC advisory board.

CDCs have expressed both enthusiasm and concerns about the merger. They look forward to participating with a regional program that mirrors organizational developments in county government and the private sector, but they are concerned that the unique needs of their neighborhoods may now be competing with a much larger market for financial and technical assistance. This will be the regional program's greatest challenge in the near future as it seeks a smooth transition to the new structure. ♦

This article was written by Ana Cruz-Taura, regional community development director in the Atlanta Fed's Miami Branch.

FEDERAL RESERVE BANK OF ATLANTA
COMMUNITY AFFAIRS DEPARTMENT
1000 PEACHTREE STREET, N.E.
ATLANTA, GEORGIA 30309-4470

CHANGE SERVICE REQUESTED

PRESORTED
STANDARD
U.S. POSTAGE
PAID
Atlanta, GA
Permit No. 292

273 15 23

STAFF

www.frbatlanta.org